

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

COMPETITIVE PRODUCTS PRICES
OUTBOUND INTERNATIONAL EXPEDITED SERVICES
GLOBAL EXPRESS GUARANTEED
CHANGE IN RATES OF GENERAL APPLICABILITY

Docket No.
CP2013-54

**UNITED STATES POSTAL SERVICE NOTICE OF PROMOTIONAL RATES FOR
GLOBAL EXPRESS GUARANTEED SERVICE**

(March 20, 2013)

Pursuant to 39 C.F.R. § 3015.2¹ and Order No. 1536,² the United States Postal Service (Postal Service) hereby gives notice of a promotional program that involves a temporary change in rates of general applicability for Global Express Guaranteed (2013 GXG Promotion).

I. Background

Prices and classifications not of general applicability for GXG were previously established by the Decision of the Governors of the United States Postal Service on Changes in Rates and Classes of General Applicability for Competitive Products (Governors' Decision No. 12-02).³ In Docket No. CP2013-3, the Postal Service

¹ This notice is filed pursuant to 39 C.F.R. § 3015.2 because the notice concerns a change in rates of general applicability, specifically a temporary change in the published Commercial Base and Commercial Plus rates for GXG that the Postal Regulatory Commission (Commission) reviewed in Docket No. CP2013-3. To the extent that the Commission considers that 39 C.F.R. § 3015.3 is applicable, the Postal Service has included with this filing the additional information required in 39 C.F.R. 3015.3(c).

² PRC Order No. 1536, Order Approving Changes in Rates of General Applicability for Competitive Products, Docket No. CP2013-3, November 8, 2012, at 5, 15-16.

³ A copy of Governors' Decision No. 12-02 was included in Notice of the United States Postal Service of Changes in Rates of General Applicability for Competitive Products Established in Governors' Decision No. 12-2, Docket No. CP2013-3, October 11, 2012.

provided notice of changes in rates of general applicability and of corresponding classification changes for competitive products, including GXG.⁴

On September 13, 2012, the Governors of the Postal Service issued Governors' Decision No. 12-02, which stated that "[t]he Postal Service may offer one or more promotions in the form of a discount or rebate on certain GXG and EMI [Express Mail International] items, during an established promotional program period, to mailers that comply with the eligibility requirements of the promotional program."⁵ Subsequently, on November 8, 2012, the Postal Regulatory Commission ("Commission") acknowledged that the Postal Service would be filing "potential promotions with the Commission for review and approval when they are developed," and that such promotional rates might concern GXG, EMI, and/or Priority Mail International.⁶ The Commission further stated that "appropriate language regarding these promotions will be added to the draft MCS once the Commission reviews and approves particular promotions."⁷

The Postal Service hereby provides notice of a promotional program that will provide certain eligible mailers with a discount on GXG during a promotional period. In this notice, the Postal Service provides the information required by 39 C.F.R. § 3015.2(b), as well as 39 C.F.R. § 3015.3(b) (to the extent applicable), including an explanation and justification for the change, the effective date and duration of the promotion, and a schedule of the changed rates.

The discounted rates for GXG under the promotion and additional supporting documentation are being filed separately under seal with the Commission, including

⁴ Notice of the United States Postal Service of Changes in Rates of General Applicability for Competitive Products Established in Governors' Decision No. 12-2, Docket No. CP2013-3, October 11, 2012.

⁵ Governors' Decision No. 12-02, at 5.

⁶ PRC Order No. 1536, at 5, 15.

⁷ *Id.*, at 15.

financial workpapers specific to the 2013 GXG Promotion that detail the revenue effects resulting from the promotion. The financials show that GXG prices combined with the rates in the 2013 GXG promotion are in compliance with 39 U.S.C. § 3633.

The proposed Mail Classification Schedule changes, as well as the certified statement mentioned in 39 C.F.R. § 3015.3(c)(2) (to the extent applicable), are filed as Attachments 1 and 2, respectively. Attachment 3 to this Notice is the Postal Service's Application for Non-public Treatment of materials filed under seal in this docket. A full discussion of the required elements of the application appears in Attachment 3.

Redacted versions of the discounted rates for GXG under the promotion and the financial workpapers concerning the 2013 GXG Promotion, which establish that GXG prices combined with the rates in the 2013 GXG Promotion are in compliance with 39 U.S.C. § 3633, are included with this filing in separate Excel files.

II. Justification for the Change

The Postal Service seeks to increase interest in GXG service among businesses by offering a promotional sale. The 2013 GXG Promotion is designed to stimulate volume growth and provide customers with an incentive to use GXG.

III. Terms & Effective Date

Under the 2013 GXG Promotion, a decrease off the applicable Commercial Base or Commercial Plus price for Global Express Guaranteed items will apply to existing customers using Global Shipping Software (GSS) starting on April 29, 2013 and ending, at the latest, on June 1, 2013. In addition, the following terms apply:

- a. The promotion is only applicable to USPS customers with a Global Shipping Software (GSS) account during the promotion period. No registration is required.
- b. The promotion is not valid with any other USPS promotion, and excludes GSS customers that have a Global Expedited Package Services Contract, a Global Plus Contract, a Global Reseller Expedited Package Contract, or a Global Expedited Package Services – Non-Published Rates Contract.
- c. All other standards in IMM section 210 apply.
- d. The discount does not apply to optional insurance coverage in excess of \$100.
- e. The promotional discount is limited to the equivalent of \$10,000.00 in total discounts for Commercial Base and Commercial Plus postage for Global Express Guaranteed items per GSS account holder during the promotion period.
- f. Customers have the option to opt out of the promotion by contacting GSS customer support directly.
- g. USPS reserves the right, without prior notice, to end the promotion before June 1, 2013 and to make changes to the promotion (except for changes that affect the percentage discount offered under the promotion).

Notification to Customers concerning the 2013 GXG Promotion. Once the Commission completes its review of the 2013 GXG Promotion, eligible customers will

be notified about the promotion, participation, and applicable terms and conditions by e-mail. In addition, the Postal Service has sent for publication in the *Federal Register* a notice concerning the 2013 GXG promotion.

The promotion will take effect beginning on April 29, 2013, and end on June 1, 2013. The Postal Service reserves the right to end the promotion prior to June 1, 2013 without prior notice.

The Postal Service is providing under seal the discounted rates for GXG available under the 2013 GXG Promotion.

IV. Analysis

Revenue Effects. The financial workpapers included with this filing provide estimates of the financial impact of the 2013 GXG Promotion. As established in the financial workpapers included in this filing, GXG prices combined with the rates in the 2013 GXG Promotion are in compliance with 39 U.S.C. § 3633.

Reporting. The Postal Service intends to report revenue about GXG published rates through the Annual Compliance Report. Therefore, the Postal Service proposes that the Commission create no special report requirement concerning the 2013 GXG Promotion.

Conclusion

For the reasons discussed, the Postal Service is filing this notice with the Commission. As demonstrated by the financial data filed under seal, the Postal Service has established that GXG prices combined with the 2013 GXG Promotion are in compliance with the requirements of 39 U.S.C. § 3633.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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2305.6 Prices

Global Express Guaranteed Promotional Sale

The Postal Service may offer a promotion in the form of a discount or rebate on certain Global Express Guaranteed service, during an established promotional program period, to mailers that comply with the eligibility requirements of the promotional program.

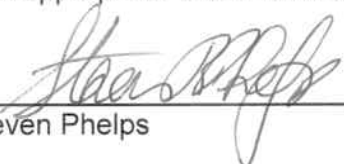
2013 GXG Promotion

Details concerning the 2013 GXG Promotion are set forth in United States Postal Service Notice of Promotional Rates for Global Express Guaranteed Service, Docket No. CP2013-54, March 20, 2013. This promotion ends no later than June 1, 2013.

Certification of Prices of Promotional Rates for Global Express Guaranteed

I, Steven Phelps, Acting Manager, Regulatory Reporting and Cost Analysis, Finance Department, United States Postal Service, am familiar with the prices for the Promotional Rates for Global Express Guaranteed. In Decision of the Governors of the United States Postal Service on Changes in Rates and Classes of General Applicability for Competitive Products (Governors' Decision No. 12-02), the Postal Service established that it may offer a promotion concerning certain Global Express Guaranteed items.

I hereby certify that the Promotional Rates for Global Express Guaranteed are in compliance with 39 U.S.C § 3633 (a)(1), (2), and (3). The Global Express Guaranteed prices combined with the Promotional Rates for Global Express Guaranteed should cover attributable costs and preclude the subsidization of competitive products by market dominant products. Further, the Global Express Guaranteed rates combined with the Promotional Rates for Global Express Guaranteed should not impair the ability of competitive products on the whole to cover an appropriate share of institutional costs.



Steven Phelps

APPLICATION OF THE UNITED STATES POSTAL SERVICE FOR NON-PUBLIC TREATMENT OF MATERIALS

In accordance with 39 C.F.R. § 3007.21 and Order No. 225,¹ the United States Postal Service (Postal Service) hereby applies for non-public treatment of certain materials filed with the Commission in this docket. The materials pertain to a promotional program that involves a temporary change in rates of general applicability for Global Express Guaranteed (2013 GXG Promotion), as authorized in Governors' Decision No. 12-02.²

The discounted rates for GXG available under the promotion and supporting documents establishing compliance with 39 U.S.C. § 3633, 39 C.F.R. § 3015.2 and 39 C.F.R. § 3015.3 (to the extent applicable) are being filed separately in this docket under seal with the Commission. Redacted versions of the discounted rates for GXG available under the promotion and financial documentation concerning the promotion are filed publicly in separate Microsoft Excel documents.

The Postal Service hereby furnishes the justification required for this application by 39 C.F.R. § 3007.21(c) below.

(1) The rationale for claiming that the materials are non-public, including the specific statutory basis for the claim, and a statement justifying application of the provision(s);

Information of a commercial nature, which under good business practice would not be publicly disclosed, as well as third party business information, is not required to

¹ PRC Order No. 225, Final Rule Establishing Appropriate Confidentiality Procedures, Docket No. RM2008-1, June 19, 2009.

² A copy of Governors' Decision No. 12-02 was included in Notice of the United States Postal Service of Changes in Rates of General Applicability for Competitive Products Established in Governors' Decision No. 12-2, Docket No. CP2013-3, October 11, 2012.

be disclosed to the public. 39 U.S.C. § 410(c)(2); 5 U.S.C. § 552(b)(4). The Commission may determine the appropriate level of confidentiality to be afforded to such information after weighing the nature and extent of the likely commercial injury to the Postal Service against the public interest in maintaining the financial transparency of a government establishment competing in commercial markets. 39 U.S.C. § 504(g)(3)(A).³ Because the portions of materials filed non-publicly in this docket fall within the scope of information not required to be publicly disclosed, the Postal Service asks the Commission to support its determination that these materials are exempt from public disclosure and grant its application for their non-public treatment.

(2) Identification, including name, phone number, and e-mail address for any third-party who is known to have a proprietary interest in the materials, or if such an identification is sensitive, contact information for a Postal Service employee who shall provide notice to that third party;

In the case of the promotional program concerning GXG that is the subject of this docket, the Postal Service believes that it is possible that Federal Express (FedEx), which is involved in the provision of GXG, may have a proprietary interest in some of the information in this filing.⁴

The financial documentation contains data specific to GXG service, which the Postal Service offers in combination with FedEx Express. The Postal Service identifies James H. Ferguson, Corporate Vice President, Customer and Business Transactions, FedEx Corp. & General Counsel, FedEx Corporate Services, Inc., as the appropriate

³ The Commission has indicated that “likely commercial injury” should be construed broadly to encompass other types of injury, such as harms to privacy, deliberative process, or law enforcement interests. PRC Order No. 194, Second Notice of Proposed Rulemaking to Establish a Procedure for According Appropriate Confidentiality, Docket No. RM2008-1, Mar. 20, 2009, at 11.

⁴ Although FedEx Express might have a proprietary interest in data reflecting charges between the Postal Service and FedEx Express and possibly in data showing volume or weights for GXG, the Postal Service maintains that the Postal Service is the only party with a proprietary interest in revenue data reflecting GXG transactions between the Postal Service and its customers.

contact on behalf of FedEx Express. Mr. Ferguson's telephone number is (901) 434-8600, and his email address is jhferguson1@fedex.com

(3) A description of the materials claimed to be non-public in a manner that, without revealing the materials at issue, would allow a person to thoroughly evaluate the basis for the claim that they are non-public;

In connection with its Notice filed in this docket, the Postal Service included the discounted rates for GXG available under the promotion, as well as financial workpapers. These materials were filed under seal, with redacted copies filed publicly, after notice to FedEx. The Postal Service maintains that the redacted portions of these materials should remain confidential.

The redactions applied to the financial workpapers protect commercially sensitive information such as underlying costs and assumptions, pricing formulas, and cost coverage projections. To the extent practicable, the Postal Service has limited its redactions in the workpapers to the actual information it has determined to be exempt from disclosure under 5 U.S.C. § 552(b). However, in a limited number of cases, narrative passages, such as words or numbers in text, were replaced with general terms describing the redacted material.

Any report of costs, volumes, and revenue concerning the 2013 GXG Promotion filed in this docket will show the actual revenue and cost coverage concerning the promotion that is the subject of this docket. The Postal Service will redact all of the values represented in such reports as commercially sensitive business information.

The Postal Service also seeks nonpublic treatment for the published rates. While it is evident that the published rates will eventually become widely available, the Postal Service considers that the premature disclosure of the promotional rates at this time

would prejudice the Postal Service's ability to compete, because disclosure would provide competitors with advance information about the Postal Service's pricing plans.

(4) Particular identification of the nature and extent of commercial harm alleged and the likelihood of such harm;

If the discounted rates for GXG available under the promotion were to be prematurely disclosed, the Postal Service considers that it is quite likely that it would suffer commercial harm. This information is commercially sensitive, and the Postal Service does not believe that it would be disclosed under good business practices. Competitors could use the information to design parallel incentives for competing products with abundant time to tailor their promotions well in advance of the promotion's start date. Additionally, other potential customers could use the information to their advantage in negotiating the terms of their own customized arrangements with the Postal Service. The Postal Service considers these to be highly probable outcomes that would result from public disclosure of the redacted material.

The financial workpapers for the 2013 GXG Promotion include specific information such as cost inputs and contingency rates. All of this information is highly confidential in the business world. If this information were made public, the Postal Service's competitors would have the advantage of being able to determine the absolute floor for Postal Service pricing. Competitors would be able to take advantage of the information to offer lower pricing to customers, while subsidizing any losses with profits from other customers. Eventually, this could freeze the Postal Service out of the relevant delivery services markets. Given that these spreadsheets are filed in their native format, the Postal Service's assessment is that the likelihood that the information would be used in this way is great.

Potential customers could also deduce from the discounted rates and financial workpapers for the 2013 GXG Promotion whether additional margin for net profit exists between the discounted rates for GXG available under the promotion and the contribution that GXG must make. From this information, customers could attempt to negotiate ever-increasing incentives, such that the Postal Service's ability to negotiate competitive yet financially sound rates would be compromised.

In addition, information in the financial spreadsheets consists of sensitive commercial information related to FedEx Express. Disclosures of information could be used by competitors of FedEx Express to develop alternatives to FedEx Express' products.

(5) At least one specific hypothetical, illustrative example of each alleged harm;

Identified harm: Premature public disclosure of discounted rates for GXG available under the promotion could be used by competitors and potential customers to the Postal Service's detriment.

Hypothetical: The Postal Service files the discounted rates for GXG available under the promotion. A competitor sees the rates and develops, with the benefit of ample planning time, a competing promotional campaign that matches the level of the Postal Service's incentive.

Identified harm: Premature public disclosure of discounted rates for GXG available under the promotion could be used by potential customers to the Postal Service's detriment.

Hypothetical: The Postal Service files the discounted rates for GXG available under the promotion. A customer is considering signing a contract with the Postal Service that includes rates for GXG. The customer sees the discounted rates for GXG available under the promotion and insists that it will not agree to be obligated to pay any more than the rates available under the promotion, diminishing the Postal Service's bargaining leverage.

Identified harm: Public disclosure of information in the financial workpapers would be used by competitors to the detriment of the Postal Service.

Hypothetical: A competing delivery service obtains a copy of the unredacted version of the financial workpapers for the promotion from the Postal Regulatory Commission's website. The company analyzes the workpapers to determine what the Postal Service would have to charge its customers in order to meet its minimum statutory obligations for cost coverage and contribution to institutional costs. The company then sets its own rates for products similar to what the Postal Service offers its GXG customers under that threshold and markets its ability to guarantee to beat the Postal Service on price for international delivery services. By sustaining this below-market strategy for a relatively short period of time, the competitor, or all of the Postal Service's competitors acting in a likewise fashion, would freeze the Postal Service out of the markets for which the GXG product is designed.

Identified harm: Public disclosure of the discounted rates available for GXG under the promotion would be used by FedEx Express' competitors to its detriment.

Hypothetical: A competing international delivery service obtains a copy of the unredacted version of the discounted rates available for GXG under the promotion and the financial workpapers from the Postal Regulatory Commission's website. The competitor analyzes the workpapers to assess the prices charged by FedEx Express. The competitor uses that information to target its competitive offerings accordingly.

(6) The extent of protection from public disclosure deemed to be necessary;

The Postal Service maintains that the redacted portions of the materials filed non-publicly should be withheld from persons involved in competitive decision-making in the relevant delivery services markets, as well as their consultants and attorneys. Additionally, the Postal Service believes that actual or potential customers of the Postal Service for this or similar products should not be provided access to the non-public materials. This includes all competitors of the relevant customer, whether or not they are currently actual Postal Service customers.

(7) The length of time deemed necessary for the non-public materials to be protected from public disclosure with justification thereof; and

The Commission's regulations provide that non-public materials shall lose non-public status ten years after the date of filing with the Commission, unless the Commission or its authorized representative enters an order extending the duration of that status. 39 C.F.R. § 3007.30.

(8) Any other factors or reasons relevant to support the application.

None.

Conclusion

For the reasons discussed, the Postal Service asks that the Commission grant its application for non-public treatment of the identified materials.